

Message Text

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ACTION STR-02

INFO OCT-01 SS-14 ISO-00 STRE-00 SP-02 L-01 EB-04
NSCE-00 INR-05 CIAE-00 NSAE-00 OMB-01 TRSE-00
EA-06 EUR-08 IO-06 SSO-00 INRE-00 /050 W
-----070146 121943Z /41

O 121901Z OCT 77

FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC IMMEDIATE 2444

INFO ALL EC CAPITALS

USMISSION GENEVA

AMEMBASSY TOKYO

C O N F I D E N T I A L SECTION 01 OF 02 BRUSSELS 13923

LIMDIS

USEEC

DEPT PASS STR FOR AMB STRAUSS ELECTRONICALLY. GENEVA
FOR MTN

E.O. 11652: GDS

TAGS: ETRD, EEC

SUBJECT: DAVIGNON ON STEEL

1. DAVIGNON, COMMISSIONER FOR INDUSTRIAL POLICY, CALLED ME IN LATE OCTOBER 12 TO DISCUSS STEEL. HE COVERED HIS RECENT CONVERSATION WITH A JAPANESE VICE MINISTER, HIS LINE AT THE ROME STEEL MEETINGS, HIS OCTOBER 11 PRESS CONFERENCE, AND HIS SUGGESTIONS FOR NEXT MOVES. HE WANTS US REACTIONS TO THE LATTER.

2. DAVIGNON BEGAN BY TELLING ME THAT WHEN HE MET LAST WEEK WITH MITI VICE MINISTER MARSULA (?), MARSULA HAD COMPLAINED ABOUT US ANTI-DUMPING ACTIONS AND INQUIRED ABOUT EC INTENTIONS IN STEEL SECTOR. DAVIGNON SAYS HE
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GAVE HIM NO SYMPATHY ABOUT DUMPING AND INDICATED HIS OPPOSITION TO FURTHER IMPORTANT BILATERAL RESTRAINT AGREEMENTS. HE, DAVIGNON, ARGUED THAT THE DIMENSION OF THE STEEL PROBLEM WAS SO GREAT THAT BILATERAL TRADE LIMITATIONS, AT THIS STAGE AT LEAST, WOULD BE BAD POLICY. MARSULA ALLEGEDLY REPLIED THAT WHILE JAPANESE INDUSTRY FAVORED ADDITIONAL RESTRAINT AGREEMENTS, MITI AND THE GOJ

HAD NOT YET TAKEN A POSITION.

3. DAVIGNON ADDED THAT HE BELIEVED JENKINS WOULD TAKE A SIMILAR LINE WHILE IN JAPAN, TO WIT: UNTIL THE RASH OF WORLD STEEL PROBLEMS ARE SORTED OUT, IT WOULD BE A MISTAKE TO NEGOTIATE FURTHER VOLUNTARY RESTRAINT AGREEMENTS.

4. IN ROME, DAVIGNON HAD INFORMALLY ADDRESSED ABOUT SEVENTY OF THE WORLD'S LEADING STEEL PERSONALITIES AT A BUREAU LUNCHEON. HE HAD, HE SAID, BEEN BLUNT. HE HAD MADE THREE POINTS: FIRST, ANYONE WHO THOUGHT THAT NATIONAL RESTRICTIVE ACTIONS COULD BE TAKEN WITHOUT RETALIATION IN THE PRESENT CLIMATE WAS MISTAKEN. ACCORDINGLY, IT WAS IMPORTANT TO TALK TOGETHER, NOT TO CONFRONT. SECOND, HE SAID HE COULD NOT UNDERSTAND HOW ANYONE COULD THINK THAT SIMPLY RESTRICTING IMPORTS INTO EUROPE OR INTO THE US COULD SOLVE THE PROBLEM. THIS WOULD DO NOTHING ABOUT THIRD COUNTRY MARKETS NOR ABOUT PRICES. TRADE RESTRICTIONS OUTSIDE OF AN UNDERSTANDING ABOUT GOALS FOR THE WORLD STEEL INDUSTRY WOULD BE A COSTLY MISTAKE. THIRD, UNDOUBTEDLY STEEL INDUSTRIES NEED HELP TO ADJUST TO THE NEW SITUATION WHICH ARGUES THAT NEW RULES OF THE GAME ARE REQUIRED WHICH WILL RESTORE CONFIDENCE IN THE INDUSTRY ABOUT THE MEDIUM-TERM OUTLOOK. HE HAD SAID THE COMMISSION IS READY

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TO PARTICIPATE IN A DISCUSSION OF THESE NEW RULES AND MONITORING MECHANISM. HE HAD ALSO OUTLINED THE COMMISSION'S STEEL POLICY BUT THAT IS OLD HAT.

5. HE HAD FELT IT NECESSARY TO GO PUBLIC YESTERDAY WITH A PRESS CONFERENCE BECAUSE HE WANTED TO MAKE CLEAR THAT HE OPPOSED THE EUROFER PROPOSALS FOR A BILATERAL RESTRAINT AGREEMENT WITH THE US AND BECAUSE ON THE EVE OF THE WHITE HOUSE STEEL CONFERENCE HE WANTED TO SIGNAL THAT HE WAS HOLDING TO THE LINE HE HAD DISCUSSED WITH AMBASSADOR STRAUSS ON SEPTEMBER 21. HE HAD ALSO MADE CLEAR THAT THE COMMISSION FAVORS TALKS BEYOND THE PRESENT OECD EFFORT AND WANTS SUCH TALKS TO DEAL WITH BOTH STRUCTURAL AND CONJUNCTURAL PROBLEMS.

6. THE REAL QUESTION WAS WHAT TO DO NEXT. HE WOULD LIKE US REACTIONS, ESPECIALLY AMBASSADOR STRAUSS' REACTIONS, TO HIS SUGGESTIONS. FIRST, HE KNEW TIME WAS PRESSING BUT HE THOUGHT IT WOULD BE BETTER TO USE THE ALREADY SCHEDULED US-EC CONSULTATIONS ON NOVEMBER 7-8 FOR A POLICY REVIEW OF STEEL ISSUES. HE WAS READY TO JOIN HAFERKAMP IN THOSE DISCUSSIONS FOR THIS PURPOSE. SECOND,

HE THOUGHT IT WOULD BE USEFUL IF LOEFF AND SEVERAL OTHER COMMISSION OFFICIALS COULD GO TO WASHINGTON IN ABOUT TEN DAYS TO EXCHANGE IDEAS AND PREPARE FOR THE NOVEMBER TALKS. IN NOVEMBER IT WOULD BE CRITICAL TO REACH AGREEMENT ON A SUBSTANTIVE APPROACH TO THE WORLD STEEL PROBLEM AND ON A TACTICAL PLAN FOR OBTAINING JAPANESE AGREEMENT.

7. I COMMENTED THAT HIS PRESENTATION WAS CLEAR AS FAR AS IT WENT AND THAT I WOULD SEEK WASHINGTON'S REACTIONS.

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I ASKED IF HE COULD SAY SOMETHING MORE ON SUBSTANCE. HE REPLIED THAT COMMISSION THINKING HAD NOT FULLY JELLED BUT THAT IF A REVIEW OF THE OECD NUMBERS INDICATED EXCESS CAPACITY WOULD EXIST IN THE 80'S, SOMETHING ABOUT CAPACITY MIGHT BE CALLED FOR. HE WOULD PROBABLY BE OPEN TO EITHER OR BOTH ACTIONS ON PRICE AND QUANTITY, PROVIDED NEW RULES WERE ARRIVED AT THAT WOULD GIVE PROMISE THAT SUCH TEMPORARY ACTIONS WOULD BE COMPATIBLE WITH AGREED LONG-TERM OBJECTIVES. SUCH ACTIONS COULD BE TAKEN IN THE GATT, OECD, OR ELSEWHERE. FINALLY, A MONITORING MECHANISM FOR THE ADJUSTMENT PROCESS WOULD BE REQUIRED.

8. SEE SEPTTEL FOR SOMEWHAT DIFFERENT VERSION OF DAVIGNON'S IDEAS CONVEYED TO ECON COUNSELLOR BY MEMBER OF HIS PERSONAL STAFF.

9. ACTION REQUEST: ADVISE RE US REACTION TO PROPOSED LOEFF VISIT AND STEEL POLICY TALKS WITH DAVIGNON

NOVEMBER 7-8. HINTON

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE, STEELS, DIPLOMATIC DISCUSSIONS, MEETING REPORTS
Control Number: n/a
Copy: SINGLE
Sent Date: 12-Oct-1977 12:00:00 am
Decaption Date: 22 May 2009
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977BRUSSE13923
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770372-0125
Format: TEL
From: BRUSSELS USEEC
Handling Restrictions:
Image Path:
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Legacy Key: link1977/newtext/t19771072/aaaacizm.tel
Line Count: 170
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 1dd81832-c288-dd11-92da-001cc4696bcc
Office: ACTION STR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: LIMDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: LIMDIS
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 14-Jan-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 959953
Secure: OPEN
Status: NATIVE
Subject: DAVIGNON ON STEEL
TAGS: ETRD, US, EEC
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/1dd81832-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009